

MARMORE

MENA INTELLIGENCE

Kuwait Real Estate

Global Economic and
Political Impact

Look at what lies
ahead for the Kuwaiti
real estate market.

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Summary

There are many tailwinds today and four of them can have impact on the real estate market of Kuwait. After showing extraordinary strength during the last few years, oil prices started tumbling recently creating panic.

After a long period of low interest rates, the market expects Fed to start the interest rate rise soon which may impact many asset classes but more specifically the real estate. Effect of implementing Basel III norms to real estate lending and usage of real estate assets as collateral, are expected to have an impact on the asset class. And finally, the geopolitical tailwinds in the Middle East region always induces additional risk premium.

In this paper, we analyze the impact of these events for the Kuwait Real Estate market. The three key components of the real estate market in Kuwait include Residential, Investments and Commercial real estate properties. During 2013, residential real estate, also labeled as private housing, accounted for around half of the market (49 per cent) in terms of total value of the deals made, followed by investments (38 per cent) and commercial (11 per cent) sectors.

Plunging oil prices

After reaching a high of USD 115.19 in June 2014, Brent crude dropped to around USD 47.99 at present (Jan 20th, 2015), a fall of about 58 per cent. A combination of excess supplies (e.g., U.S. shale revolution), tenuous demand (e.g., China), and a stronger dollar has been blamed for the decline. Despite wide-spread violence in the Middle East, there has been little disruption in the oil supply. Usually, such downward spirals are arrested by Saudi Arabia regulating supply. But the Kingdom announced that production would continue at present levels, increasing anxiety of US shale oil producers and Russia, which is heavily dependent on its petroleum revenue. OPEC's decision not to cut daily output target, and a stronger dollar has been blamed for the decline. Lowering oil prices are pushing the budgets of Saudi Arabia, Russia, Libya, and Iraq into deficit, and further increased budget deficits of other oil-exporting nations, such as Nigeria, Venezuela and Iran. But Saudi Arabia, like other oil-exporting GCC countries, has accumulated large fiscal surpluses over the last decade, and has deep enough pockets to manage this building situation.

But IMF recently reduced its forecast for global growth for 2015 to 3.5 percent, from a October prediction of 3.8 percent, supported by a host of weak indicators from Europe and China, which is expected to lead to a tepid global demand for all commodities. Many analysts believe that oil price recovery would be modest in the short- to medium-term.

Key question addressed in this report:

- What are the various factors that could impact Kuwait real estate market?
- How could Basel III implementations affect usage of real estate as collateral?
- How could geopolitical risks affect real estate values?

This report can add value to:

- Real Estate Professionals
- Property Consultants Bankers
- Investors
- Policy Makers
- Portfolio Managers & Financial Analysts

This is the executive summary version of the full report.

To obtain the full version, kindly [click here](#)

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About Marmore



Organizational Background

Marmore MENA Intelligence provides research-based consulting solutions to help understand current market conditions, identify growth opportunities, assess supply/demand dynamics, and make informed business decisions.

Marmore is a fully-owned research subsidiary of Kuwait Financial Center 'Markaz'. Since 2006, Markaz Research has been at the forefront in disseminating thought-provoking, hard-data backed research reports. Marmore continues that legacy with a focused approach to providing actionable solutions for business leaders and policymakers.

Since its inception, Marmore has published over 700 research reports and covered more than 25 varied industries and infrastructure segments; all focused primarily on the GCC economies. (To view our Research Library, please [click here](#))

With over 30 policy and regulatory research studies published, Marmore has partnered with renowned regional think-tanks and opinion-leaders to publish some of these intellectually provoking policy research papers. These research studies aim to initiate dialogue and propose better solutions to existing economic conundrums. (To view our Policy & Regulatory research report, [click here](#))

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Experience/Qualifications

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- » Consistent track record of quality, in-depth research offerings;
- » Skilled team with extensive experience in advanced quantitative and qualitative analysis techniques;
- » Deep understanding of MENA market and access to wide-ranging database
- » Delivers high quality, client specific, insightful research reports; highlighting key client issues and uncovering key answers/opportunities for the clients.

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